

Issues Raised by Common Ownership of Corporate Income Taxpayers and Non-Corporate Income Taxpayers, and Options for Addressing Same, As Submitted to MTC Executive Committee (December 6, 2012)

Issue	Suggested Options, or Existing Tools, to Address Issue	Will Option Address Tax Equity Issue That is the Focus of this Project (Y = Yes, N = No)?
Creation of permanently tax-free income as a result of income received by non-taxable entity from tax-exempt pass-through entity.	Impose income tax on pass-through.	Y
	OR Impose income tax on non-taxable entity. ¹	Y
Inaccurate or incomplete accounting of income of unitary group.	Include non-taxable entity in combined group.	N
Tax abusive strategies (i.e., creation of intellectual property holding company to shelter royalty income received from related affiliates).	Discretionary administrative adjustments to properly reflect income.	N
	OR Add-back statutes.	N
	OR Common law tools (i.e., sham transaction, economic substance and/or business purpose doctrines).	N

¹ In the case of an insurance company, the income tax may be coupled with a credit for income tax applied to the gross premiums tax.

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Unavailability of dividend-received deduction when unitary dividend payer (insurance company) is not subject to income tax.	Allow dividend received deduction, with appropriate phase-outs for overcapitalized insurance companies and steeper phase outs for captive insurance companies.	N